



**CITY COUNCIL  
SPECIAL MEETING MINUTES**

**NOVEMBER 5, 2009 5:30 PM**

**I. CALL TO ORDER**

Mayor Peter B. Lewis called the special meeting of the City Council to order at 5:30 p.m. in the Council Chambers of Auburn City Hall located at 25 West Main Street in Auburn for the purpose of discussing the 2009-2010 Biennial Budget, property tax revenues and other revenue sources. Mayor Lewis led those in attendance in the Pledge of Allegiance.

Councilmembers present were: Rich Wagner, Sue Singer, Gene Cerino, Nancy Backus, and Lynn Norman. Councilmember Bill Peloza arrived at 5:32. Councilmember Haugen was excused.

Staff members present included: Information Services Director Lorrie Rempher; Finance Director Shelley Coleman; Public Works Director Dennis Dowdy; Police Commander Willard Lathrop; Assistant City Attorney Steve Gross; Planning, Building and Community Director Cindy Baker; Chief of Police Jim Kelly; Financial Planning Manager Karen Jester; Parks, Arts and Recreation Director Daryl Faber; Human Resources and Risk/Property Management Director Brenda Heineman; and City Clerk Danielle Daskam.

**II. 2010 BUDGET MID TERM ADJUSTMENT**

Mayor Lewis noted that the City must set its property tax levy before the end of the month in order to meet the deadlines established by the counties. A property tax levy ordinance will be presented to the Council for consideration on November 16, 2009.

Mayor Lewis reported that he has asked Department Directors to submit adjusted 2010 budgets that reflect the budget for mandated operations and budgets that reflect mandated operations as well as other core services.

Mayor Lewis stated that business district at the north end of Auburn represents up to sixty percent of the sales tax receipts for the City; and should a flooding disaster occur in the area, the City's ability to operate

would be drastically affected and only mandated operations would be able to continue.

Using a PowerPoint presentation, Director Coleman reviewed beginning fund balances from 2008 and 2009 and estimated beginning fund balances for 2010 and 2011. Finance Director Coleman stated that 2007 was a very good year for revenues and the 2008 beginning fund balance reflected a healthy beginning fund balance of \$14,462,720. In 2009, the beginning fund balance was \$13,071,091. It is estimated that the beginning fund balance in 2010 will be \$9,463,001. Director Coleman reminded that the Council has mandated an eight percent of expenditures for reserve; the 2010 projected beginning fund balance does not meet the eight percent reserve mandate.

#### BEGINNING FUND BALANCE

Year	Fund Balance	Change
2008 Beginning FB	\$14,462,720	
2009 Beginning FB	13,071,091	\$ (1,391,629)
2010 Beginning FB (Estimated)	9,463,001	(3,608,090)
2011 Beginning FB (Estimated)	\$ 2,707,046	\$ (6,755,955)
Note: ➤ Need 8% of expenditures for reserve. ➤ 8% of \$53,000,000 is \$4,240,000. ➤ 8% of \$48,000,000 is \$3,840,000.		

Finance Director Coleman reviewed the 2010 revenue estimates for the 2010 original budget and a proposed revised budget:

	<b>2010 Original Budget</b>	<b>2010 Proposed Revised Budget</b>	<b>Difference</b>
Property Tax	\$10,471,900	\$ 9,967,000	\$ (504,900)
Sales Tax	17,686,100	14,255,000	(3,431,100)
Other Taxes	13,701,700	12,793,600	(908,100)
Licenses & Permits	1,497,500	1,088,000	(409,500)
Intergovernmental	3,816,300	3,746,240	(70,060)
Charges for Services	2,091,000	2,061,000	(30,000)
Fines & Forfeitures	2,729,700	1,870,700	(859,000)
Miscellaneous Revenues	486,200	396,200	(90,000)
Other Revenues	42,000	42,000	0
<b>Total Revenues</b>	<b>\$52,522,400</b>	<b>\$46,219,740</b>	<b>\$ (6,302,660)</b>

Director Coleman reviewed the 2010 expenditure estimates for the 2010 original budget and a revised budget:

	<b>2010 Original Budget</b>	<b>2010 Revised Budget</b>	<b>Difference</b>
Council & Mayor	\$807,500	\$ 759,200	\$(48,300)
Court	17,686,100	14,255,000	(48,700)
Human Resources	13,701,700	12,793,600	(237,350)
Finance	1,497,500	1,088,000	(89,155)
Legal	3,816,300	3,746,240	(247,285)
Planning	2,091,000	2,061,000	(1,263,400)
Police	2,729,700	1,870,700	(1,314,715)
Engineering	3,980,500	3,341,050	(639,450)
Parks	7,174,400	6,901,950	(272,450)
Streets	486,200	396,200	(48,200)

Non Departmental	3,980,000	3,980,000	0
<b>Total Expenditures</b>	\$57,184,700	\$52,975,69 5	\$ (4,209,005)

Director Coleman reviewed a summary of the budget revisions implemented by 2009 Budget Amendments 1 and 2:

- Froze 12.25 FTE's and departmental cuts
- Froze 24 FTE's from reduction in force
- Removed unaffiliated COLA and VEBA

The net effect of the revisions on the 2010 Budget is approximately \$4.2 million.

Director Coleman reviewed revenues currently not levied by the City of Auburn including a car tab fee. The cities of Des Moines, Edmonds, Lake Forest Park, Olympia, Prosser and Shoreline have levied a car tab fee.

Director Coleman also presented a comparison of business license fees for the area. The City of Auburn's current business license fee is a flat rate of \$50 per year. Director Coleman also reviewed business occupation taxes. The city is limited to a maximum rate of 0.2 percent for city taxes on business activities that are measured by gross receipts or gross income. Cities in the area currently imposing business and occupation taxes on gross receipts or gross income include: Algona, Bellevue, Burien, Des Moines, Lake Forest Park, Olympia, Pacific and Tacoma.

Director Coleman reviewed the property tax assessed value:

## PROPERTY TAX ASSESSED VALUE (AV)

Total 2009 AV	\$8,719,721,892
Total 2010 Preliminary AV	\$7,819,240,659
Decrease from 2009 AV	-10.33%
<u>New Construction*</u>	
2009 Final	\$146,832,806
2010 Preliminary	\$88,243,699

Director Coleman noted that the 2010 preliminary assessed value is estimated to decrease from 2009 by 10.33%.

Councilmembers discussed the effect of a flooding disaster on the City's overall assessed valuation.

Director Coleman presented information on property tax banked capacity. The City has approximately \$7 million in banked capacity available; however, the maximum allowable capacity the City can attain is \$3.8 million.

Director Coleman reviewed the 2010 General Fund expenditures (revised based on 2009 reductions):

	2010 Revised Budget	
Salaries & Benefits	\$31,584,195	59.6%
Supplies	1,224,500	2.3%
Other Services & Charges	9,222,800	17.4%
Intergovernmental	4,313,100	8.1%
Capital Outlay	90,000	0.2%
Debt Service	250,900	0.5%
Fuel & ERR	1,766,700	3.3%

Facilities	1,674,300	3.2%
Information Services	<u>2,849,200</u>	<u>5.4%</u>
Total	\$52,975,695	100.0%

In response to a question from Councilmember Pelosa, Director Coleman stated that she believes that the amount of salaries and benefits (sixty percent) from the General Fund is standard for cities across the state.

Councilmembers briefly discussed the various elements of General Fund expenditures.

Director Coleman displayed a table illustrating the effect of the property tax levy on \$200,000 and \$300,000 homes:

	\$200,000 Home	Increase	\$300,000 Home	Increase
2009 City Levy Actual	\$298		\$447	
2010 City Levy w/ 101% + NCI	335	\$ 37	508	\$ 61
2010 City Levy w/ NCI +\$1M	364	29	546	38
2010 City Levy w/ NCI +\$2M	390	26	585	38
2010 City Levy w/ NCI +\$3M	415	26	623	38
2010 City Levy w/ NCI +\$3.8M	436	21	654	31

Councilmembers briefly reviewed the table and the effect of reduced assessed valuation and adding banked capacity.

Director Coleman stated that the proposed property tax levy includes the transfer of \$1.2 million to the Save Our Streets Fund. Director Coleman clarified that the amount of the transfer is over and above the amount collected by the SOS levy.

Mayor Lewis pointed out that the General Fund revenue estimate for 2010 is \$46.2 million while the 2010 revised budget expenditures currently

stand at \$52.9 million, a difference of approximately \$6 million. Mayor Lewis stated that the downturn in the economy has resulted in the City's revenue base being reset at the 2010 levels. Mayor Lewis anticipates that the economy will recover at a rate of two percent per year at best.

Mayor Lewis reported that budget talks continue with all departments as well as with the unions. Mayor Lewis stated that a revised 2010 Budget will be prepared by the end of November.

Deputy Mayor Singer noted that in order to reduce expenditures by \$5 million, the City will need to reduce services. Mayor Lewis responded that the City intends to provide the best service possible with the workforce that remains.

Councilmember Cerino suggested providing the Council with estimates of the amount of revenue that could be generated from other sources.

Councilmember Pelosa stated that if the City is successful in reducing its expenses through negotiation with staff and the unions, the level of service should remain the same; however, if the negotiations are not favorable, then reduction in services must be considered in order to balance the budget.

Councilmembers briefly discussed the components of property tax, i.e. property tax levied by county, state, port, library, Valley Regional Fire Authority, schools and other special districts.

Councilmember Wagner questioned the amount of reductions made by the Auburn Municipal Court to date. Finance Director Coleman stated that in 2008 three positions in the Court were frozen and removed from the 2009 and 2010 budgets.

Finance Director Coleman advised that if the unions agree to concede their 2010 VEBA contributions and COLA's, the savings would be approximately \$850,000.

At 6:40 p.m., Mayor Lewis recessed the meeting to executive session for approximately twenty minutes in order to discuss pending/potential litigation pursuant to RCW 42.30.110(1)(i). Staff members attending the executive session included Assistant City Attorney Steve Gross, Human Resources and Risk/Property Management Director Heineman and Finance Director Shelley Coleman.

At 7:00 p.m., Mayor Lewis reconvened the regular meeting.

**III. ADJOURNMENT**

There being no further business to come before the Council, the meeting adjourned at 7:00 p.m.

APPROVED THE \_\_\_\_\_ DAY OF NOVEMBER 2009.

\_\_\_\_\_  
Peter B. Lewis, Mayor

\_\_\_\_\_  
Danielle Daskam, City Clerk

*City Council agendas and minutes are available to the public at the City Clerk's Office, on the City website, and via e-mail. Complete agenda packets are available for review at the City Clerk's Office and at the Library.*

Internet: <http://www.auburnwa.gov>